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Rayrock
Mines
L I M I T E D

ANNUAL REPORT 1967



RAY ROCK MINES LIMITED

Highlights and Summary of Operations

FINANCIAL	1967	1966
Sales — Metals and Petroleum	\$1,105,546	\$ 398,485
Operating Profit — Metals and Petroleum	630,167	259,463
Investment Income	165,147	127,400
Net Profit	446,225	99,850
Cash Flow	583,771	191,697
Working Capital	752,504	776,890
Investments — Listed Stocks Market Value	1,946,112	2,260,600
Unlisted Stocks Book Value	258,893	769,537
Investment in Mining and Oil Properties, less Write-offs	1,506,531	1,070,734

MINING

GOLD — A 36% controlling interest held in Discovery Mines Limited, now in its 19th year of production. Discovery also has interests in potential gold and nickel properties.

COPPER — Holds a 21.4% interest in the Icon-Sullivan Joint Venture — the new Chibougamau area copper mine which commenced operations in May, 1967. Recovery of investment in January 1968 is indicated, and several years of attractive income are anticipated. Ore reserves thus far outlined — 1.2 million tons averaging 3.0% copper.

PETROLEUM

Both revenue and operating profit increased for the fifth consecutive year. As operator of two oil fields in Southwestern Ontario, plus other interests contemplated in Alberta, your management foresees continued profit growth for its Petroleum Division.

EXPLORATION

A participant in exploration of a promising nickel prospect in the Yukon.

Several exploration projects supported across Canada.

RAY ROCK MINES LIMITED

OFFICERS: J. C. BYRNE, *President*
J. J. BYRNE, *Vice-President*
D. S. HAMILTON, *Secretary-Treasurer*

DIRECTORS: J. C. BYRNE, Toronto, Ont.
J. J. BYRNE, Toronto, Ont.
D. S. HAMILTON, Toronto, Ont.
J. J. RANKIN, Toronto, Ont.
H. BRODIE HICKS, P.Eng., Toronto, Ont.

MANAGEMENT: J. C. BYRNE, *Managing Director*, Toronto, Ont.
A. E. MACKAY, P.Eng., *General Manager*, Toronto, Ont.

**CONSULTING
ENGINEER:** NORMAN W. BYRNE, P.Eng., Yellowknife, N.W.T.

**HEAD OFFICE
ENGINEER:** J. L. WARD, P.Eng., Oakville, Ontario

SOLICITORS: MUNGOVAN & MUNGOVAN, 80 King St. W., Toronto, Ont.

AUDITORS: EDDIS & ASSOCIATES, 110 Yonge St., Toronto, Ont.

**TRANSFER AGENTS
AND REGISTRARS:** CROWN TRUST COMPANY, 302 Bay St., Toronto, Ont.

BANKERS: ROYAL BANK OF CANADA, Bay and Temperance Branch,
Toronto, Ont.

EXECUTIVE OFFICE: SUITE 1011, 2200 YONGE ST., Toronto 12, Ont.

ANNUAL MEETING: March 5, 1968, 11:00 a.m., Nova Scotia Room, Mezzanine
Floor, Royal York Hotel.

RAY ROCK MINES LIMITED

Directors' Report

TO THE SHAREHOLDERS:

It is a pleasure to present the Annual Report for the fiscal year ending October 31, 1967. The Company can report a very satisfactory year and there is every expectation that the following twelve months will be even more gratifying.

Operating profit from metals and petroleum production increased from \$259,463 in 1966 to \$630,167 in 1967 and the forecast for 1968 is \$1,000,000.

Net profit for 1967 was \$446,225 as compared with \$99,850 recorded for the previous year. A significant increase in operating profit from petroleum production and greater investment income were augmented by profits accruing from the Company's interest in the Icon Sullivan Joint Venture — a new copper producer in northwestern Quebec.

The Icon Sullivan Joint Venture copper property — the outcome of a discovery by the Icon Syndicate in which Rayrock has a 25 per cent interest — attained production status in late May, 1967, only a few months after development work had been initiated. The four financial sponsors, each with an equal interest in the venture, can see their total investment retired in January, 1968, after which several years of substantial profits are anticipated. Ore reserves on the Chibougamau area property were increased by more than 50 per cent during the year.

For the fifth consecutive year, the Petroleum Division registered advances in both revenue and profit. The success thus far experienced has prompted the Company to take an increasingly more aggressive attitude towards enhancing the growth of the Petroleum Division.

Rayrock supports an active exploration policy, and is engaged in field programs and in property examinations both for its own account and in association with other companies. Preliminary exploration of an optioned nickel prospect in the Yukon Territory has met with encouragement.

Your Directors extend their appreciation to the staff, the employees, and to all others who have contributed to the Company's success through their support or interest.

On behalf of the Board of Directors,

J. C. BYRNE,

President and Managing Director.

Toronto, Ontario,
January 22, 1968.

RAY ROCK MINES LIMITED

Consolidated Balance

ASSETS	1967	1966
CURRENT		
Cash	227,967	117,058
Short-term notes and certificates, at cost	500,000	600,000
Accounts receivable	73,659	70,961
Prepaid expenses	1,790	1,605
Estimated income taxes refundable		8,586
Interest in net current assets of the Icon Sullivan Joint Venture	211,080	
	<u>1,014,496</u>	<u>798,210</u>
Investments in other companies (Note 2)	<u>2,365,698</u>	<u>2,569,604</u>
OIL PROPERTIES		
Petroleum and natural gas leases, at cost less accumulated depletion (1967 \$176,678; 1966 \$88,435)	959,341	709,973
Non-producing leases, at cost	25,014	26,251
Well equipment, at cost less accumulated depreciation (1967 \$77,696; 1966 \$51,251)	71,347	72,548
	<u>1,055,702</u>	<u>808,772</u>
MINING PROPERTIES		
Mining claims and options, at cost	250,828	248,639
Interest in non-current assets of the Icon Sullivan Joint Venture	188,886	
Interest in unexpended funds of mining exploration syndicates	11,115	13,323
	<u>450,829</u>	<u>261,962</u>
OTHER ASSETS		
Sundry accounts receivable	18,173	16,936
Head office furniture, at cost less accumulated depreciation (1967 \$4,819; 1966 \$3,178)	6,561	5,581
Incorporation and organization	10,667	10,667
	<u>35,401</u>	<u>33,184</u>
Excess of cost of investment in subsidiary company over the book value of its assets	<u>291,821</u>	<u>291,821</u>
	<u>\$5,213,947</u>	<u>\$4,763,553</u>

AUDITORS' REPORT

To the Shareholders, Rayrock Mines Limited.

We have examined the consolidated balance sheet of Rayrock Mines Limited and its subsidiary company as at October 31, 1967 and the consolidated statements of deficit, operations and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
January 24, 1968.

Sheet as at October 31, 1967

LIABILITIES	1967	1966
CURRENT		
Bank loan and overdraft	220,136	
Accounts payable and accrued charges	41,856	21,320
	<u>261,992</u>	<u>21,320</u>
CAPITAL AND SURPLUS		
Capital Stock		
Authorized:		
4,500,000 shares of \$1.00 par value <u>\$4,500,000</u>		
Issued and fully paid		
4,460,000 shares	4,460,000	4,460,000
Contributed surplus	619,318	619,318
Deficit from operations	<u>(127,363)</u>	<u>(337,085)</u>
	4,951,955	4,742,233
The accompanying notes are an integral part of these financial statements.		
Approved on behalf of the Board,		
J. C. BYRNE, Director.		
D. S. HAMILTON, Director.		
	<u>\$5,213,947</u>	<u>\$4,763,553</u>

In our opinion, these financial statements present fairly the financial position of the companies as at October 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting for profits on sales of investments (which change has our approval) as explained in Note 3.

EDDIS & ASSOCIATES,
Chartered Accountants.

RAY ROCK MINES LIMITED

Notes to Consolidated Financial Statements

As at October 31, 1967

1. Included in this consolidation are the accounts of Elgin Petroleum Corporation Limited, a wholly-owned subsidiary company.

2. Investment in other companies:

	October 31, 1967		October 31, 1966
	Number of Shares	Cost	Cost
Discovery Mines Limited	990,072	1,691,985	1,635,435
Opemiska Copper Mines Ltd.	9,000	95,965	89,965
Radiore Uranium Mines Ltd.	183,100	85,842	85,197
Kerr Addison Mines Ltd.	8,000	68,741	103,111
Mogul Mines Limited	51,000	44,152	44,152
Great Northern Gas, 6% pfd.	1,000	24,500	24,500
Trans-Canada Pipe Lines, pfd.	500	22,719	22,719
Pamour Porcupine Mines Ltd.	10,000	21,586	
Dome Mines Ltd.	400	18,670	
Bow Valley Industries Ltd., pfd.	1,000	15,650	
Power Corporation, pfd.			23,750
Bell Telephone Co. of Canada			36,925
Other listed shares		16,995	47,810
		2,106,805	2,113,564
Profit on sales of investments deducted at October 31, 1966			(313,497)
			1,800,067
Other shares (unlisted or escrowed), debentures, etc. at cost less allowance for possible loss on realization of \$550,000 (1967) Nil (1966)		258,893	769,537
		<u>\$2,365,698</u>	<u>\$2,569,604</u>

Quoted market value of listed shares

October 31, 1967 \$1,946,100

October 31, 1966 \$2,260,600

3. Prior to 1967 the company deducted from the total cost of its investments profits realized from sales. In 1967 the company changed its method of accounting and took into income profits of \$24,179 realized from sales of investments during the year.
Profits realized in prior years totalling \$313,497 were transferred in 1967 from the investment account to the deficit account.
4. It is estimated that there is no liability for income taxes for the year because of deductions claimed for income tax purposes.
5. The total remuneration paid to directors and senior officers was \$45,084 for the year ended October 31, 1967.

Consolidated Statement of Deficit

For the Year Ended October 31, 1967

	1967	1966
Deficit at beginning of year	337,085	367,398
Add:		
Provision for possible loss on realization of investments	550,000	
Advances to Johnsby Mines Limited, written off		70,000
	887,085	437,398
Deduct:		
Net profit for the year	446,225	99,850
Profit on sales of investments in prior years	313,497	
Adjustment of prior years' income taxes		463
	759,722	100,313
Deficit at end of year	<u>\$ 127,363</u>	<u>\$ 337,085</u>

RAY ROCK MINES LIMITED

Consolidated Statement of Operations

For the Year Ended October 31, 1967

	1967	1966
Crude oil and gas sales	571,534	398,485
Metal sales	534,012	
	<u>\$1,105,546</u>	<u>\$ 398,485</u>
Operating profit from petroleum operations	360,433	259,463
Operating profit from mining operations	269,734	
Investment income	165,147	127,400
	<u>795,314</u>	<u>386,863</u>
Less: Administrative and general expenses	66,457	67,567
Operating profit before exploration and write-offs	<u>728,857</u>	<u>319,296</u>
Exploration and development — oil properties	6,034	6,721
Exploration and pre-production expenditures at mining property in O'Sullivan Township, Quebec	57,828	56,540
Other mining exploration	64,553	64,338
Amortization of oil leases	81,157	53,303
Depreciation — oil well equipment	26,445	26,596
Depreciation — mining equipment	25,269	
Oil leases abandoned	1,237	
Mining claims and options abandoned	3,438	11,948
	<u>265,961</u>	<u>219,446</u>
Net profit before provision for mining tax	462,896	99,850
Provision for mining tax	16,671	
Net profit for the year	<u>\$ 446,225</u>	<u>\$ 99,850</u>

RAY ROCK MINES LIMITED

Consolidated Statement of Source and Application of Funds

For the Year Ended October 31, 1967

SOURCE OF FUNDS	1967	1966
Net profit for the year	446,225	99,850
Amortization of oil leases	81,157	53,303
Depreciation of equipment	51,714	26,596
Other charges included in statement of operations but not requiring a disbursement of funds during year	6,315	17,959
Decrease in sundry accounts receivable	266	1,141
Decrease in unexpended funds of mining exploration syndicates	2,208	
Realization of portion of advances to Johnsby Mines Limited		12,500
Adjustment of prior years' corporation taxes		463
	<u>587,885</u>	<u>211,812</u>
APPLICATION OF FUNDS		
Purchase of shares of other companies	32,597	236,044
Purchase of oil leases	330,525	266
Purchase of mining claims and options	5,627	3,439
Purchase of well equipment	25,244	1,507
Share of cost of non-current assets of the Icon Sullivan Joint Venture	214,155	
Purchase of head office furniture	2,620	1,071
Payment of special refundable tax	1,503	
Funds advanced to mining exploration syndicates		13,323
	<u>612,271</u>	<u>255,650</u>
Decrease in working capital	<u>\$ 24,386</u>	<u>\$ 43,838</u>

Working Capital

Net current assets at beginning of year	776,890	820,728
Decrease as above	<u>24,386</u>	<u>43,838</u>
Net current assets at end of year	<u>\$ 752,504</u>	<u>\$ 776,890</u>

RAYROCK MINES LIMITED

Petroleum Division

Substantial increases in production and profits were registered by the Petroleum Division during fiscal 1967. Operating profit was \$360,433 compared with \$259,463 the previous year — a gain of 39 per cent.

Oil sales from the Company's 100 per cent owned wells in the Rodney Oil Field of Southwestern Ontario (see map) were 141,862 barrels, an increase of 15 per cent over the previous year and current production indicates a further increase of at least 15 per cent for fiscal 1968.

The oil sales from the R & R Unit, Rodney Oil Field, were 64,774 barrels for fiscal 1967. Your Company purchased 40 per cent of the R & R Unit effective November 1, 1966, and is the Operator of the Unit. Rayrock's share of this production was 25,910 barrels. The R & R Unit is currently producing at a rate of 215 barrels per day, an increase of 20.8 per cent.

The Company purchased a 10 per cent interest in 77 per cent of the Gobles Oil Field near Woodstock, Ontario (see map) effective November 1, 1966, and subsequently purchased the same interest in the remainder of the field from Imperial Oil Limited effective May 1, 1967. Rayrock also acts as Operator of the Gobles Field.

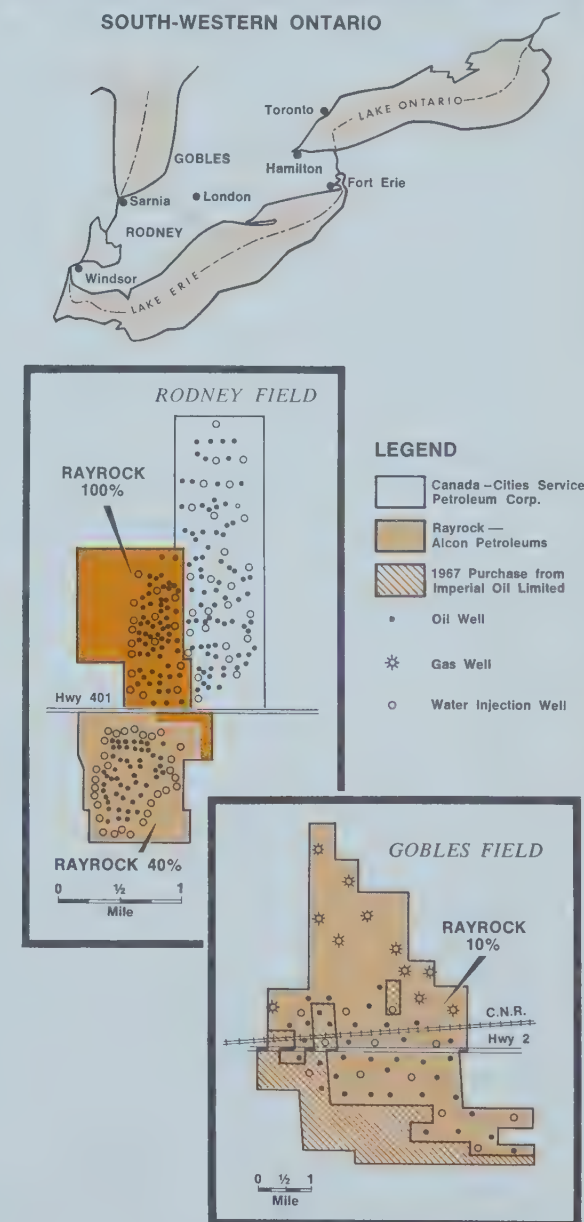
Total oil sales from Gobles for fiscal 1967 were 78,646 barrels.

Total oil production operated by Rayrock in fiscal 1967 was 285,282 barrels or an average of 782 barrels per day, with your Company's net interest being 175,637 barrels or an average of 481 barrels per day. This is an increase of 143 barrels over the previous year's daily average.

Your Company also has a small working interest in the Redwater Oil Field near Edmonton, Alberta, gas production from the Gobles Field and overriding royalties from oil production in the Rodney and Gobles Oil Fields.

With the objective of increasing our oil reserves and subsequent cash flow, we plan to participate in a joint venture to explore for reef production in the Rainbow-Zama area of Northwestern Alberta.

RAYROCK MINES OIL PRODUCTION HOLDINGS



RAY ROCK MINES LIMITED

Mining Division

ICON SULLIVAN JOINT VENTURE

Shareholders will recall that during 1966 a program of diamond drilling by the Icon Syndicate (Rayrock Mines, Gunnar Mining, Kerr Addison, and Newmont Mining Corporation of Canada) on a base metal prospect in O'Sullivan Township, Chibougamau area, indicated sufficient good grade copper reserves to warrant production. In November of that year an operating vehicle known as the Icon Sullivan Joint Venture was formally inaugurated by the Icon Syndicate members for the purpose of developing and mining ore from the mine area. General management of the project is in the capable hands of Mr. J. N. Botsford of Gunnar Mining Limited.

A satisfactory custom milling agreement concluded with Merrill Island Mining Corporation allowed the Joint Venture project to attain production status late in May, 1967, only a few short months after development work commenced on the property. The ore is trucked over a good road for a distance of 44 miles to the mill which has a rated capacity of 650 tons per day. Merrill Island receives a toll charge of 50 cents per ton of ore milled and is also entitled to 10 per cent of the operating profit after amortization of capital costs, preproduction expenditures, and related interest charges.

Initial production has been from the No. 1 West Zone which is only one of three designated open pits. Mill feed from this source will be

supplemented by underground ore from the No. 1 East Zone early in 1968.

To October 31, a total of 82,292 tons of open pit ore were milled from which the estimated copper production in concentrates was 4,707,360 pounds. Grade of ore during this period averaged 3.1% copper, which closely approximates the average calculated for the No. 1 West Zone. Actual milling commenced during the last week of May and, after a brief tune-up period, a near capacity level was readily maintained. Calculated mill recoveries during the first five months of operations averaged 91.5% but have since stabilized at a satisfactory level of 96-97%.



Working at portal site of underground zone. No. 1 West Open Pit Zone in foreground.

Ore reserves which had been estimated at 756,400 tons grading 3.58% copper prior to com-

RAY ROCK MINES LIMITED

ment of production have since been significantly expanded as a result of detailed and confirmatory diamond drilling carried out during the latter part of the 1967 calendar year. Ore outlined to the end of December, 1967, as calculated by Mr. A. J. Troop, Manager of the Icon Syndicate, is 1,191,000 tons averaging 3.0% copper. Potential for additional ore is regarded as promising particularly along a fault structure which extends in a north-easterly direction from the underground zone. Encouragement was realized in this sector of the property in earlier exploratory drilling with several holes returning ore grade intersections.

By the end of December preparations for driving an adit to develop the No. 1 East Zone were well advanced. This zone will be mined by shallow, relatively cheap underground methods employing trackless vehicles. Stripping of overburden over the No. 3 Zone has commenced in preparation for open pit mining during the coming summer. While relatively small, the No. 3 Ore Zone is quite high grade. Construction of the plant service building and mine ore bins is nearing completion.

ICON SYNDICATE

Exploration during the past year was mainly focussed on the Chibougamau area where several claim groups were explored. During 1968, emphasis will again be directed to this part of North-western Quebec. Early in the year drilling will commence on a base metal bet situated some 40 miles west of Chibougamau, while preliminary work is scheduled for an uranium prospect located north-east of Lake Mistassini. On the Icon Syn-

dicate ground north of the Icon Sullivan Joint Venture mine, two anomalies will be drill tested.

Rayrock's interest in the Icon Syndicate is shared equally with Gunnar Mining Limited, Kerr Addison Mines Limited and Newmont Mining Corporation of Canada Limited.

REDFORT SYNDICATE

Your Company holds a 30% equity interest in the Redfort Syndicate which is supporting an exploration program on a large group of claims situated some 40 miles north-east of Watson Lake in the Yukon Territory. During the 1967 calendar year additional claims were staked following receipt of interesting airborne geophysical results on part of the original Syndicate ground. Several anomalies warrant a drill test. The claims, now numbering 352, surround a silver-lead-zinc prospect controlled by American Smelting and Refining Limited.

MICRO NICKEL PROJECT

Early in 1967, Rayrock Mines, as a participant, optioned a nickel prospect in the Yukon Territory. Located 250 miles north-west of Whitehorse, and easily accessible from the Alaska Highway, the Micro Nickel Property was the object of both surface and limited underground exploration by previous operators some years ago. With financial sponsorship from Rayrock Mines (25%), Discovery Mines — an associated company (50%), and Consolidated Canadian Faraday (25%), an exploration program was initiated in June. Following a summer of geologi-

RAY ROCK MINES LIMITED

cal mapping, reconnaissance prospecting, geophysics, and bulldozer stripping, surface diamond drilling was started in September. The aim of the surface test was to assess the depth and strike possibilities of two potential ore structures known as the Main Zone and the Lower North Zone. While drilling progress had been quite slow, the results gained from two completions have clarified the somewhat complex geology, and have significantly increased the original reserve picture which stood at 282,000 tons of 1.64% nickel. There is now evidence that nickel mineralization is present west of a major fault zone, thus opening up a lengthy area of potentially favourable ground west of the mine workings and under the White River. In addition, there is an indication that the favourable tuff host rock widens with depth in the Lower North Zone.

Drilling on the property was temporarily suspended in December as a result of severe winter weather, and resumption is scheduled for early March. The accelerated program will entail further surface drilling in the mine area, drill examination of several I.P. anomalies, dewatering of the underground workings, and underground exploration from the lower of the two existing mine levels. Access to the workings is from an adit and a 335 foot winze.

The participating companies have recently purchased at a very reasonable price the C.N. Repeater Station at Koidern, which is close to the base metal property. It consists of several buildings which house living quarters, storage and service facilities. In the event that the Micro venture develops into a mine making proposition, the camp would serve as a nucleus for the residential area.

SULPHUR BAY

The Company's lead-zinc prospect of 8,100 acres located on the north shore of Great Slave Lake was maintained in good standing. Geology of the property is similar to that which hosts the orebodies in the Pine Point area.

GENERAL

An opportunity exists whereby Rayrock Mines and Hydra Explorations may enter into a working option agreement with a British Columbia company that owns a partially developed lead-silver-antimony prospect in south-western British Columbia. The pursuit of an underground exploration program on the ground is contingent on final results from metallurgical studies currently being carried out. Purpose of the bench tests, which work is being financed by Rayrock and its partner, is to establish the possibility of a satisfactory lead - antimony separation process resulting in marketable concentrate and with reasonable mill recoveries. Previous exploration of the property established relatively modest tonnage indications in two vein structures with additional promising potential.

Several uranium prospects were examined during the year, but none was deemed deserving of further exploration.

Although details cannot at this time be disclosed, the Company will be assuming a role in exploration of promising ground in the general Coppermine district of the Northwest Territories. Interest in the area has been heightened by the recent discovery of a large potential orebody.

Grubstake participations continue to play an important part in the exploration plans of your Company.

ICON SULLIVAN JOINT VENTURE

O'SULLIVAN TOWNSHIP - QUEBEC.

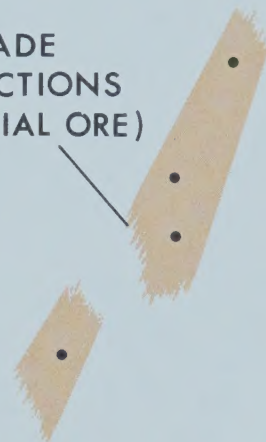
Diagrammatic Presentation of Ore Zones



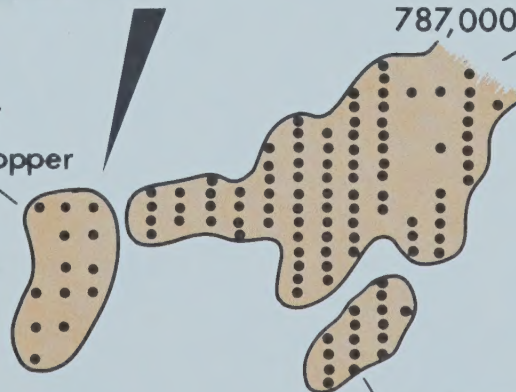
No 3 OPEN PIT
159,000 Tons - 7.28% Copper



ORE GRADE
INTERSECTIONS
(POTENTIAL ORE)



No 1 WEST OPEN PIT
125,000 Tons - 3.28% Copper



No 1 EAST UNDERGROUND
787,000 Tons - 2.24% Copper

No 2 OPEN PIT
120,000 Tons - 1.64% Copper



0 600 1200 feet

ORE OUTLINED TO DEC. 31 1967
1,191,000 Tons - 3.00% Copper

• VERTICAL HOLES DRILLED IN ORE ZONE
○ OUTLINE OF ORE ZONE

